RESEARCH BRIEF

Marcus & Millichap

2026 MULTIFAMILY OUTLOOK

DECEMBER 2025

Multifamily Properties Well-Positioned To Weather Economic Uncertainty

Multiple forces shaping the sector. The year ahead carries many crosscurrents that will affect short-term property performance. Over the longer run, however, there are significant tailwinds that will bolster the sector.

- High-development Sun Belt markets likely face the greatest short-term challenges, while metros with limited construction will sustain their momentum.
- Over the past three years, more than **1.4 million** apartment units have been added nationally.
- This record pace of development was, nevertheless, met by an unprecedented level of rental housing demand, helping to restrain vacancy rates.
- The U.S. vacancy rate was **4.6 percent** at the end of the third quarter, down **130 basis points** from the early 2024 cycle peak.
- The robust pace of net absorption has begun to taper, however.

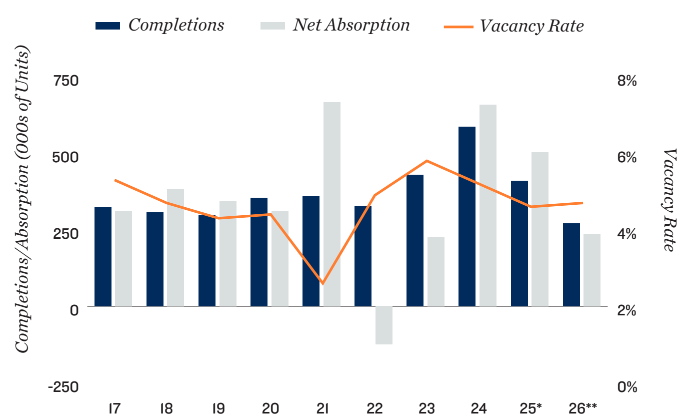
Economic uncertainty a constraint. Recent robust net absorption began to taper in the third quarter, with a variety of factors likely to drive further moderation.

- Economic uncertainty has been exceptionally high since April's tariff announcement, weighing on hiring.
- In the first four months of 2025, the U.S. created nearly **500,000 jobs**, followed by only **193,000 net jobs** formed from May to September.
- The key 20- to 28-year-old renter cohort faced a much less favorable employment market. This age group's unemployment rate rose to **7.4 percent** in September, compared to an overall U.S. rate of **4.4 percent**.
- Markets with the most development will face steeper challenges, especially as domestic migration to Southern metros has tapered from the peak levels following the pandemic.
- Vacancy rates across the Sun Belt stand nearly **200 basis points** higher than the average from outside that region.
- The average effective rent has trended down over the past three years in heavily developed markets.

Longer-term outlook positive. Despite short-term headwinds, performance should improve for multifamily properties over a more extended time horizon.

- The pace of construction nationally has slowed significantly, with the number of units under construction as of late 2025 down **53 percent** from the peak in 2023.
- Construction is unlikely to reignite, as elevated material and construction labor costs restrain developers.
- Homeownership cost remains prohibitively high. The monthly payment on a median-priced home runs nearly **$1,200 higher** than the average apartment rent.
- This barrier to homeownership will continue to favor rental housing demand, maintaining lease-renewal rates around **55 percent**, above the long-term average.
- The headwinds slowing household formation are also likely to be temporary, as some demand is being deferred until economic uncertainty abates or job security improves.
- If job creation and consumer sentiment improve, high home prices and limited rental construction could lead to a relatively quick improvement in multifamily performance. It is less clear when the economy will reinvigorate.

Multifamily Supply & Demand Trends



** Estimate ** Forecast*

Sources: Marcus & Millichap Research Services; Moody's Analytics; National Association of Realtors; RealPage, Inc.; U.S. Census Bureau; U.S. Bureau of Labor Statistics